

Message Text

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C O N F I D E N T I A L CAIRO 4229

EXDIS

E.O. 11652: GDS
TAGS: EAID EG
SUBJECT: EGYPTIAN REQUEST RE TITLE I PL 480 WHEAT

SUMMARY: IN SEPARATE TALKS, FAHMY AND EL-SHAZLI ASKED THAT PRESIDENTIAL WAIVER BE SOUGHT TO PERMIT GOE TO PAY FOR TITLE I PL 480 WHEAT IN EGYPTIAN POUNDS RATHER THAN DOLLARS. AMBASSADOR INDICATED HIS VIEW THAT SUCH ACTION WOULD HAVE ADVERSE REPERCUSSIONS IN CONGRESS AND COULD JEOPARDIZE FUTURE PL 480 WHEAT PROGRAMS FOR EGYPT. RECOMMEND WE BE INSTRUCTED CONFIRM THIS TO FAHMY AND EL-SHAZLI AND TURN DOWN EGYPTIAN REQUEST.
END SUMMARY.

1. FAHMY TELEPHONED LAST NIGHT TO ALLEGE HE HAD JUST HEARD THAT TITLE I PL 480 WHEAT FOR EGYPT WAS BEING PAID FOR IN DOLLARS RATHER THAN EGYPTIAN POUNDS. I TOLD HIM THAT THIS SUBJECT HAD BEEN FULLY DISCUSSED WITH GOE WHEN WE NEGOTIATED THE FIRST PL 480 AGREEMENT IN JUNE 1974 AND RECALLED SEVERAL OCCASIONS ON WHICH I HAD ALSO EXPLAINED THIS MATTER TO FAHMY HIMSELF.

2. I AGAIN POINTED OUT THAT AGRICULTURAL SURPLUSES WHICH EXISTED AT THE TIME OF THE PROGRAMS OF THE '60S HAD DISAPPEARED AND THAT THE CONGRESS HAD IN THE INTERVENING YEARS ALTERED THE PL 480 LEGISLATION TO TAKE THESE OBJECTIVE FACTORS INTO ACCOUNT. AS A RESULT, VIRTUALLY ALL PL 480 TITLE I PROGRAMS ARE NOW REPAYABLE IN DOLLARS. I REMINDED FAHMY THAT OUR
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AGREEMENT GIVES GOE HIGHLY CONCESSIONARY TERMS OF A KIND

IT COULD NOT GET ELSEWHERE.

3. FAHMY THEN ALLOWED THAT WE HAD PREVIOUSLY DISCUSSED THIS MATTER, BUT CLAIMED HE HAD FORGOTTEN. IN ANY CASE, HE HAD HEARD EARLIER IN THE DAY (FROM WHOM WAS UNSPECIFIED) THAT THE PRESIDENT HAS THE RIGHT TO GRANT A WAIVER TO PERMIT REPAYMENT IN LOCAL CURRENCY. HAVING IN MIND EGYPT'S DIFFICULT ECONOMIC SITUATION, HE ASKED THAT THE PRESIDENT GRANT SUCH A WAIVER IN THE CASE OF EGYPT.

4. I TOLD FAHMY I DID NOT KNOW WHETHER THE PRESIDENT HAD SUCH WAIVER AUTHORITY. EVEN IF HE DOES, HOWEVER, I COULD NOT IN GOOD CONSCIENCE RECOMMEND THAT THIS BE DONE. DOING SO WOULD SIMPLY RAISE PROBLEMS WITH THE CONGRESS OVER THE ENTIRE PL 480 PROGRAM TO EGYPT AND WOULD MAKE IT MORE DIFFICULT FOR US TO HELP IN THE FUTURE. ANY SUCH DEVELOPMENT WOULD NOT BE IN EITHER USG OR GOE INTEREST. IN ANY CASE, WE ALREADY HAVE MORE EGYPTIAN POUNDS HOLDINGS THEN WE NEED. I COULD ATTEST THAT VISITING MEMBERS OF CONGRESS INVARIABLY ASK ABOUT OUR LARGE EGYPTIAN POUND HOLDINGS AND EXPRESS CONCERN ABOUT OUR INABILITY TO DISPOSE OF THEM. HE COULD BE SURE THAT THERE WOULD BE STRONGLY ADVERSE CONGRESSIONAL REACTION TO TAKING MORE EGYPTIAN POUNDS. I AGAIN EMPHASIZED THAT OUR PL 480 TERMS ARE HIGHLY CONCESSIONARY. WHILE ADMITTING THIS, HE NEVERTHELESS ASKED THAT I PUT THE MATTER TO WASHINGTON.

5. THIS MORNING MINISTER OF SUPPLY EL-SHAZLI MADE THE SAME PITCH TO TEMPLETON AND ME. WE GAVE HIM THE SAME REPLY THAT I HAD GIVEN TO FAHMY. I TOLD HIM THAT, AT FAHMY'S AND HIS REQUEST, I WAS PUTTING THE MATTER TO WASHINGTON, BUT THAT GOE PLANNING SHOULD NOT BE BASED ON A POSITIVE RESPONSE. GOE'S CURRENT LIQUIDITY PROBLEM IS NOT ADVERSELY AFFECTED BY THE TERMS OF OUR PL480 AGREEMENT. EL-SHAZLI INDICATED UNDERSTANDING, BUT ALSO ASKED THAT REQUEST BE PASSED ON.

6. RECOMMENDATION: I DO NOT BELIEVE WE SHOULD ACCEDE TO THIS GOE REQUEST. RECOMMEND I BE AUTHORIZED INFORM FAHMY AND EL-SHAZLI WE HAVE RECEIVED GOE REQUEST, BUT WANT TO EMPHASIZE OUR CONVICTION NEITHER USG NOR GOE INTERESTS ARE SERVED BY SEEKING SUCH A WAIVER. DOING SO WOULD DOUBTLESS

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RAISE SERIOUS QUESTIONS IN THE CONGRESS AND FUTURE PL 480 WHEAT PROGRAMS FOR EGYPT. AS BOTH KNOW, PRESENT TERMS ARE HIGHLY CONCESSIONARY AND IN NO WAY AGGREGATE GOE'S ADMITTEDLY DIFFICULT ECONOMIC SITUATION. ON THE CONTRARY, THEY LESSEN THE IMMEDIATE BURDENS. WE ARE AT ALL TIMES PREPARED TO LOOK AT FEASIBLE MEANS OF ASSISTING GOE IN ECONOMIC SPHERE, BUT MUST CANDIDLY GIVE OUR JUDGEMENT THAT THIS PROPOSAL IS UNDESIRABLE WAY TO PROCEED.

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